

## **Summary of Bank Indonesia Laws**

Regulation : Bank Indonesia Circular Letter Number 10/44/DPM concerning Procedures of Repurchase Agreement (Repo) Transactions of Government Sharia Securities (SBSN) with Bank Indonesia  
Effective date : December 10, 2008

### **Summary**

#### **I. Definition**

Repo SBSN is a SBSN selling transaction by Bank to Bank Indonesia with a commitment to repurchase at a price and term as agreed in Sharia Standing Facilities.

#### **II. Repo SBSN Characteristics**

1. using *al bai'* (selling buying) contract enclosed with *al wa'ad* (commitment) by Bank to Bank Indonesia in separated document to repurchase the SBSN at a term and price as agreed.
2. with a maximum maturity of 14 (fourteen) calendar days.
3. with a repo SBSN fee at the rate of BI-Rate + a margin of 50 (fifty) bps.

#### **III. Parties Eligible to Submit Repo SBSN**

Any Bank (BUS/UUS) may submit Repo SBSN to Bank Indonesia for its own behalf if :

- the Bank is not being under imposition of sanction of temporary termination to participate in OMO activities.
- the Bank has signed up a Commitment (*wa'ad*) to Repurchase SBSN in Repo SBSN and submitted supporting requisite documents to Bank Indonesia.

#### **IV. Requirements for SBSN under Repo**

1. be the types and series tradable under repo as stipulated by Bank Indonesia;
2. be registered in Trading Account in the BI-SSSS; and
3. with remaining days to maturity of no less than 10 (ten) business days since 1 (one) day after Repo SBSN maturity.

#### **V. Repo SBSN Submission**

##### **1. Submission Facilities**

- through the BI-SSSS; or

in writing ...

- in writing by letter which is preceded by a notification through the Reuters Monitoring Dealing System (RMDS), facsimile, and/or telephone by specifying, among other things, type, series, and nominal value of SBSN under repo.
2. Window Time
    - 4.00 p.m. up to 5.00 p.m. (western Indonesia standard time) every business day if the Repo SBSN is submitted through the BI-SSSS; or
    - 12.00 p.m. up to 4.00 p.m. (western Indonesia standard time) every business day if the Repo SBSN is submitted by letter.
  3. Submission procedures

The submission procedures shall comply with provisions regulating the BI-SSSS.

## VI. Repo SBSN Settlement

### 1. Facilities

- through the BI-SSSS; or
- through the BI-SSSS Terminal (ST)

### 2. Mechanism

transaction by transaction settlement (gross to gross) and delivery versus payment

### 3. Stages

#### a. Settlement of SBSN selling (first leg)

It will be conducted after Repo SBSN window time closes, with calculation as follows.

$$\text{First Leg Settlement Value} = \left\{ \left[ \text{Nominal Value of SBSN under Repo} \right] \times \left[ \text{Price} - \text{Haircut} \right] \right\} + \text{Accrued SBSN coupon}$$

where the calculation of accrued SBSN coupon is based on actual number of days (actual per actual).

#### b. Settlement of SBSN repurchase (second leg)

It will be automatically executed when the BI-SSSS opens on Repo SBSN maturity date, with calculation as follows.

$$\text{Second Leg Settlement Value} = \text{First Leg Settlement Value} + \left\{ \text{SBSN Repo Fee} \times \left( \frac{t}{360} \right) \right\}$$

where ...

where  $t$  = number of Repo SBSN calendar days

In the event of any payment of SBSN coupon within the period of Repo SBSN, it shall reduce the value of second leg settlement.

#### 4. Follow up of settlement failure

##### a. First leg settlement

To declare the Repo SBSN first leg settlement cancelled

##### b. Second leg settlement

- To declare the second leg settlement cancelled;
- To debit Demand Deposit Account of Bank amounting to the Repo SBSN return to be paid; and
- To treat the type and series of SBSN failing to be repurchased by Bank as outright selling automatically through the BI-SSSS.

### VII. Sanctions

1. Sanctions will be imposed on cancellation of Repo SBSN settlement either in the first leg settlement or the second leg settlement.

#### 2. Forms of Sanction

- a. written warning;
- b. financial penalty of 1<sup>0</sup>/<sub>00</sub> (one per one thousand) of the nominal value of Repo SBSN declared cancelled with a maximum amount of Rp1,000,000,000.00 (one billion rupiah); and
- c. temporary termination to participate in OMS activities for 5 (five) consecutive business days if the Bank is imposed written warning for the third time in a period of 6 (six) months due to cancellation of OMS transaction with Bank Indonesia in accordance with applicable provisions.

#### 3. Imposition of sanctions

The sanctions, either written warning or financial penalty, will be imposed on 1 (one) business day after the cancellation of Repo SBSN settlement.

### VIII. Concluding Provision

Provisions in this Circular Letter shall come into force since the date of its enactment.

DPM